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OCEAN SPRINGS SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013



OCEAN SPRINGS SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

September 27, 2013

Superintendent and School Board
Ocean Springs School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Ocean Springs School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the

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United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 34-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean Springs School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Ocean Springs School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean Springs School District's internal control over financial reporting and compliance.

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS



OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

The following discussion and analysis of Ocean Springs School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$3,547,694, which represents a 6.58% decrease from fiscal year 2012. Total net assets for 2012 decreased \$6,235,667, which represents a 10% decrease from fiscal year 2011.
- General revenues amounted to \$38,093,180 and \$37,802,882, or 86% and 84% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,012,230, or 14% of total revenues for 2013, and \$6,988,112, or 16% of total revenues for 2012.
- The District had \$48,835,037 and \$50,881,411 in expenses for fiscal years 2013 and 2012; only \$6,012,230 for 2013 and \$6,988,112 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$38,093,180 for 2013 and \$37,802,882 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$36,209,214 in revenues and \$38,528,679 in expenditures for 2013, and \$35,906,385 in revenues and \$35,575,876 in expenditures for 2012. The General Fund's fund balance decreased by \$4,346,941 from 2012 to 2013, and decreased by \$605,662 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$1,027,510 for 2013 and increased by \$21,254,621 for 2012. The decrease for 2013 was due to the completion of construction coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$2,441,643 for 2013 and decreased by \$1,719,250 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt and forgiveness of debt. The liability for compensated absences decreased by \$85,969 for 2013 and increased by \$79,448 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities and other debt service costs.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$50,783,223 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 10,651,453	\$ 17,707,697	-39.85 %
Restricted assets	3,126,392	6,702,485	-53.35 %
Capital assets, net	70,884,165	71,911,675	-1.43 %
Total assets	<u>84,662,010</u>	<u>96,321,857</u>	-12.11 %
Current liabilities	801,204	6,385,745	-87.45 %
Long-term debt outstanding	33,077,583	35,605,195	-7.10 %
Total liabilities	<u>33,878,787</u>	<u>41,990,940</u>	-19.32 %
Net position:			
Invested in capital assets, net of related debt	38,173,596	38,395,179	-0.58 %
Restricted	3,165,419	5,876,386	-46.13 %
Unrestricted	9,444,208	10,059,352	-6.12 %
Total net position	<u>: 50,783,223</u>	<u>\$ 54,330,917</u>	-6.53 %

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- The principal retirement of \$1,425,307 of long-term debt.
- Receiving forgiveness of \$1,186,933 of principal and accrued interest on the FEMA special community disaster loan.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$44,105,411 and \$44,790,994, respectively. The total cost of all programs and services was \$48,835,037 for 2013 and \$50,881,411 for 2012.

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,391,472	\$ 1,508,605	(7.76) %
Operating grants and contributions	4,620,758	5,479,507	(15.67) %
General revenues:			
Property taxes	15,608,799	15,372,651	1.54 %
Grants and contributions not restricted	22,130,134	22,008,722	0.55 %
Investment earnings	43,718	213,922	(79.56) %
Sixteenth section sources	3,495	3,701	(5.55) %
Other	307,034	203,886	50.59 %
Total revenues	44,105,410	44,790,994	(1.53) %
Expenses:			
Instruction	26,590,357	26,696,222	(0.40) %
Support services	19,018,224	20,913,080	(9.06) %
Non-instructional	2,132,413	2,003,076	6.46 %
Interest on long-term liabilities and other debt service costs	1,094,043	1,269,033	(13.79) %
Total expenses	48,835,037	50,881,411	(4.02) %
Special Items:			
Forgiveness of debt - community disaster loan	1,186,933	515,629	130.19 %
Increase (Decrease) in net position	(3,542,694)	(5,574,788)	(36.45) %
Net Position, July 1, as previously reported	54,330,917	60,566,584	(10.30) %
Prior Period Adjustment	(5,000)	(660,879)	(99.24) %
Net Position, July 1, as restated	54,325,917	59,905,705	(9.31) %
Net Position, June 30	\$ 50,783,223	\$ 54,330,917	(6.53) %

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 3013

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities and other debt service costs. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 26,590,357	\$ 26,696,222	(0.40) %
Support services	19,018,224	20,913,080	(9.06) %
Non-instructional	2,132,413	2,003,076	6.46 %
Interest on long-term liabilities and other debt service costs	1,094,043	1,269,033	(13.79) %
Total expenses	\$ 48,835,037	\$ 50,881,411	(4.02) %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (23,711,813)	\$ (22,864,934)	3.70 %
Support services	(18,039,082)	(19,931,222)	(9.49) %
Non-instructional	22,131	171,890	(87.12) %
Interest on long-term liabilities and other debt service costs	(1,094,043)	(1,269,033)	(13.79) %
Total net (expense) revenue	\$ (42,822,807)	\$ (43,893,299)	(2.44) %

- Net cost of governmental activities (\$42,822,807 for 2013 and \$43,893,299 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$15,608,799 for 2013 and \$15,372,651 for 2012) and state and federal revenues (\$22,130,134 for 2013 and \$22,008,722 for 2012). In addition, there was \$3,495 and \$3,701 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$43,718 for 2013 and \$213,922 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,163,778, a decrease of \$5,205,254, which includes a prior period adjustment of (\$5,000) and an increase in inventory of \$22,808. \$2,482,558 or 19% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$10,681,220 or 81% is either

OCEAN SPRINGS SCHOOL DISTRICT
 Management's Discussion and Analysis
 For the year ending June 30, 3013

assigned to specific purposes within the general fund. The remaining fund balance of \$10,681,220 or 81% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$4,346,941, which includes a prior period adjustment of (\$5,000). The fund balance of Other Governmental Funds showed a decrease in the amount of \$320,225, which includes an increase in reserve for inventory of \$22,808. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Future Building Fund	\$ (537,676)
2009 Bond Series A Fund	\$ (412)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$99,520,253, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$914,039 from 2012. Total accumulated depreciation as of June 30, 2013, was \$28,636,088, and total depreciation expense for the year was \$2,005,208, resulting in total net capital assets of \$70,884,165.

**Table 4
 Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 2,406,228	\$ 2,406,229	(0.00) %
Construction in Progress	-	39,107,372	(100.00) %
Buildings	59,700,355	21,402,048	178.95 %
Building improvements	6,267,207	6,427,236	(2.49) %
Improvements other than buildings	751,599	374,743	100.56 %
Mobile equipment	1,229,196	1,435,169	(14.35) %
Furniture and equipment	519,526	758,878	(31.54) %
Leased property under capital lease	10,054	-	N/A %
Total	<u>\$ 70,884,165</u>	<u>\$ 71,911,675</u>	<u>(1.43) %</u>

Additional information on the District's capital assets can be found in Note 5 included in this report.

OCEAN SPRINGS SCHOOL DISTRICT
Management's Discussion and Analysis
For the year ending June 30, 2013

Debt Administration. At June 30, 2013, the District had \$33,077,583 in outstanding long-term debt, of which \$1,553,439 is due within one year. The liability for compensated absences decreased \$85,969 from the prior year.

The District maintains a AA- bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 29,700,000	\$ 31,125,000	(4.58) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Other loans payable	10,547	1,027,190	(98.97) %
Compensated absences payable	367,036	453,005	(18.98) %
Total	<u><u>\$ 33,077,583</u></u>	<u><u>\$ 35,605,195</u></u>	(7.10) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future. The District is also proud of its community support of the public schools.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for 2012-2013 year increased by 1.5% to 5,560 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Ocean Springs School District, 2300 Government Street, Ocean Springs, Mississippi 39564.

BASIC FINANCIAL STATEMENTS



OCEAN SPRINGS SCHOOLDISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 9,660,003
Due from other governments	928,495
Inventories	62,955
Restricted assets	3,126,392
Capital assets, non-depreciable:	
Land	2,406,228
Capital assets, net of accumulated depreciation:	
Buildings	59,700,355
Building improvements	6,267,207
Improvements other than buildings	751,599
Mobile equipment	1,229,196
Furniture and equipment	519,526
Leased property under capital lease	10,054
Total assets	<u>84,662,010</u>
Liabilities:	
Accounts payable and accrued liabilities	614,066
Interest payable on long-term liabilities	187,138
Long-term liabilities, due within one year:	
Capital related liabilities	1,553,439
Long-term liabilities, due beyond one year:	
Capital related liabilities	31,157,108
Non-capital related liabilities	367,036
Total liabilities	<u>33,878,787</u>
Net Position:	
Net investment in capital assets	38,173,596
Restricted for:	
Expendable:	
School-based activities	375,000
Debt service	2,639,345
Unemployment benefits	95,230
Non-expendable:	
Other	55,844
Unrestricted	9,444,208
Total net position	<u>\$ 50,783,223</u>

OCEAN SPRINGS SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	PL 94-142 IDEA FUND	FUTURE BUILDING FUND	2008 BOND SERIES A BUILDING FUND	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 8,647,434		164,229	360,859	2,745,339	\$ 11,917,861
Cash with fiscal agents					868,534	868,534
Due from other government	539,595	177,146	188		211,567	928,496
Due from other funds	310,388				62,955	310,388
Inventories						62,955
Total assets	9,497,417	177,146	164,417	360,859	3,888,395	14,088,234
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	46,298	739	164,229	360,771	42,031	614,068
Due to other funds	6,520	176,407			127,461	310,388
Total liabilities	52,818	177,146	164,229	360,771	169,492	924,456
Fund Balances:						
Nonspendable:						
Inventory					62,955	62,955
Permanent fund principal					55,844	55,844
Restricted:						
Debt service					2,825,645	2,825,645
Capital projects				88	88	88
Unemployment benefits					95,230	95,230
Other restricted items					330,955	330,955
Committed:						
Working capital	3,710,405					3,710,405
Capital projects					177,554	177,554
Permanent fund purposes					20,025	20,025
Vocational activity					2,622	2,622
Assigned:						
Capital projects			188			188
School based activities	3,251,636				148,073	3,399,709
Unassigned	2,482,558					2,482,558
Total fund balances	9,444,599	-	188	88	3,718,903	13,163,778
Total liabilities and fund balances	\$ 9,497,417	177,146	164,417	360,859	3,888,395	\$ 14,088,234

OCEAN SPRINGS SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Exhibit C-1

	<u>Amount</u>
Total fund balance for governmental funds	\$ 13,163,778
Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	2,406,228
Buildings	82,814,882
Building Improvements	7,243,510
Improvements other than buildings	941,101
Mobile equipment	3,301,933
Furniture and equipment	2,800,889
Leased property under capital lease	11,710
Accumulated depreciation	<u>(28,636,089)</u>
	70,884,164
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(29,700,000)
Qualified school construction bonds	(3,000,000)
Capital lease obligations	(10,547)
Compensated absences	(367,034)
Accrued interest payable	<u>(187,138)</u>
	<u>(33,264,719)</u>
Net position of governmental activities	<u>\$ 50,783,223</u>

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	PL 94-142 IDEA FUND	FUTURE BUILDING FUND	2009 BOND SERIES A FUND		
Revenues:						
Local sources	\$ 13,684,293		451	2,102	3,647,774	\$ 17,334,620
State sources	22,244,657				826,215	23,070,872
Federal sources	280,264	1,057,821			2,341,935	3,680,020
Sixteenth section sources					3,495	3,495
Total revenues	38,209,214	1,057,821	451	2,102	6,819,419	44,089,007
Expenditures:						
Instruction	23,400,244	583,778	307,035		2,385,865	26,676,922
Support services	15,117,099	428,478	424,541		1,197,050	17,167,168
Noninstructional services	351		59,149		2,086,298	2,145,798
Facilities acquisition and construction	10,660		779,845	2,514	39,355	832,374
Debt service:						
Principal	325				1,425,000	1,425,325
Interest					1,086,425	1,086,425
Other					6,170	6,170
Total expenditures	38,528,679	1,012,256	1,570,570	2,514	6,226,163	49,340,182
Excess (deficiency) of Revenues over (under) Expenditures	(2,319,465)	45,565	(1,570,119)	(412)	(1,406,744)	(5,251,175)
Other Financing Sources (Uses)						
Proceeds of loans	11,710	-	-	-		11,710
Insurance loss recovery	4,444	-	-	-	11,959	16,403
Transfer from QSCB debt service agent					292,171	292,171
Payment to QSCB escrow agent					(292,171)	(292,171)
Operating transfers in	83,067		1,032,443		1,334,705	2,450,215
Operating transfers out	(2,121,697)	(45,565)			(282,953)	(2,450,215)
Total other financing sources (uses)	(2,022,476)	(45,565)	1,032,443	-	1,063,711	28,113
Net change in fund balances	(4,341,941)	-	(537,676)	(412)	(343,033)	(5,223,062)
Fund Balances:						
July 1, 2012	13,791,540	-	537,864	500	4,039,128	18,369,032
Prior period adjustments	(5,000)					(5,000)
July 1, 2012, as restated	13,786,540	-	537,864	500	4,039,128	18,364,032
Increase (Decrease) in reserve for Inventory	-	-	-	-	22,808	22,808
June 30, 2013	\$ 9,444,599	\$ -	\$ 188	\$ 88	3,718,903	\$ 13,163,778

OCEAN SPRINGS SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2013

Exhibit D-1

	<u>Amount</u>	
Net change in fund balances - total governmental funds	\$	<u>(5,223,062)</u>
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	979,705	
Depreciation expense	<u>(2,005,208)</u>	(1,025,503)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(2,006)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Capital lease issued	(10,854)	
Payments of debt principal	1,425,307	
Accrued interest payable	<u>157,457</u>	1,571,910
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	85,969	
Change in inventory reserve	22,808	
Forgiveness of debt - community disaster loan	<u>1,027,190</u>	1,135,967
Change in net position of governmental activities	\$	<u><u>(3,542,694)</u></u>

OCEAN SPRINGS SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,234,967
<i>Total assets</i>	<u><u>1,234,967</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,142,315
Due to student clubs	92,652
<i>Total liabilities</i>	<u><u>\$ 1,234,967</u></u>



NOTES TO FINANCIAL STATEMENTS



OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Ocean Springs since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Ocean Springs School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements:

Government-wide Financial Statements - The Statement of Net position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consist of net assets not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General fund – This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

PL 94-142 IDEA fund - This fund is used to account for federal funds received for special education.

Future building fund - This fund is used to account for the construction of a new high school.

2009 Bond series A fund - This fund is used to account for the proceeds of the 2009 bond issue.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds – Agency funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities, and net position/fund balances

1. Cash and Cash equivalents

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

2. Receivables and payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

3. Due from Other Governments.

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking fund. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. **Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. **Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. **Fund Balances.**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which that government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the result of the school board approving this commitment of funds.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

(2) **Cash and Cash Equivalents and Cash with Fiscal Agents.**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,917,861 and \$1,234,967, respectively.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$16,825,928 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$868,534.

(3) **Inter-fund Receivables, Payables and Transfers.**

The following is a summary of inter-fund transactions and balances:

A. Due from / To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 310,388	6,520
PL 94-142 IDEA fund		176,407
Other governmental funds		127,461
Total Funds	<u>\$ 310,388</u>	<u>310,388</u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending 6/30/2013.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

B. Inter-fund Transfers.

	Transfers In	Transfers Out
Governmental Funds:		
General fund	\$ 83,067	2,121,697
PL 94-142 IDEA fund		45,565
Future Building Fund	1,032,443	
Other governmental funds	1,334,705	282,953
Total Funds	<u>\$ 2,450,215</u>	<u>2,450,215</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(4) Restricted Assets.

The restricted assets represent the cash balance of the following funds:

Fund	Total Cash Balance
2009 General obligation bond	360,859
2009 General obligation bond debt service	1,141,095
2010 General obligation bond debt service	421,405
QSCB debt service	334,499
QSCB cash with fiscal agent	868,534
Total cash balance of restricted assets	<u>3,126,392</u>

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2012	Additions	Retirements	** Adjustments	Balance 6/30/2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,406,229			(1)	\$ 2,406,228
Construction in progress	39,107,372	664,835	(39,772,207)		-
Total non-depreciable capital assets	41,513,601	664,835	(39,772,207)	(1)	2,406,228
<u>Depreciable capital assets:</u>					
Buildings	43,305,491	39,772,207		(262,816)	82,814,882
Building improvements	7,229,354	101,339		(87,183)	7,243,510
Improvements other than buildings	526,601	64,500		350,000	941,101
Mobile equipment	3,310,933	6,000	(15,000)		3,301,933
Furniture and equipment	2,720,234	131,321	(50,666)		2,800,889
Leased property under capital leases	-	11,710		-	11,710
Total depreciable capital assets	57,092,613	40,087,077	(65,666)	1	97,114,025
<u>Less accumulated depreciation for:</u>					
Buildings	21,903,443	1,211,084			23,114,527
Building improvements	802,118	174,185			976,303
Improvements other than buildings	151,858	37,644			189,502
Mobile equipment	1,875,764	210,473	(13,500)		2,072,737
Furniture and equipment	1,961,356	370,166	(50,159)		2,281,363
Leased property under capital leases	-	1,656		-	1,656
Total accumulated depreciation	26,694,539	2,005,208	(63,659)	-	28,636,088
Total depreciable capital assets, net	30,398,074	38,081,869	(2,007)	1	68,477,937
Governmental activities capital assets, net	\$ 71,911,675	38,746,704	(39,774,214)	-	\$ 70,884,165

** adjustments were needed to capital assets and accumulated depreciation to properly classify certain assets.

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 131,444
Support Services	1,864,340
Non-instructional	9,424
Total depreciation expense	<u><u>\$ 2,005,208</u></u>

(6) Long-term Liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts due</u>
	<u>7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2013</u>	<u>within one</u>
					<u>year</u>
A. General obligation bonds payable	\$ 31,125,000	-	1,425,000	29,700,000	1,550,000
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Obligations under capital leases		10,854	307	10,547	3,439
D. Other loans payable	1,027,190	-	1,027,190	-	-
E. Compensated absences payable	453,005	-	85,969	367,036	-
Total	<u><u>\$ 35,605,195</u></u>	<u><u>\$ 10,854</u></u>	<u><u>\$ 2,538,466</u></u>	<u><u>\$ 33,077,583</u></u>	<u><u>\$ 1,553,439</u></u>

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. General obligation bonds, series 2009	3.0% - 4.0%	5/1/2009	5/1/2026	30,000,000	26,100,000
2. General obligation bonds, series 2010	4.0%	9/1/2010	9/1/2021	4,000,000	3,600,000
Total				<u><u>\$ 34,000,000</u></u>	<u><u>\$ 29,700,000</u></u>

The following is a schedule by years of the total payments due on this debt:

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

1. General obligation bond issue of 2009:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1,300,000	953,425	2,253,425
2015	1,500,000	901,425	2,401,425
2016	1,550,000	841,425	2,391,425
2017	1,500,000	779,425	2,279,425
2018	1,800,000	734,425	2,534,425
2019-2023	10,950,000	2,670,125	13,620,125
2024-2026	7,500,000	562,500	8,062,500
Total	<u>\$ 26,100,000</u>	<u>\$ 7,442,750</u>	<u>\$ 33,542,750</u>

This debt will be retired from the 2009 bond debt service fund.

2. General obligation bond issue of 2010:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	250,000	79,375	329,375
2015	275,000	73,813	348,813
2016	250,000	68,563	318,563
2017	325,000	62,813	387,813
2018	500,000	52,100	552,100
2019-2022	2,000,000	106,305	2,106,305
Total	<u>\$ 3,600,000</u>	<u>\$ 442,969</u>	<u>\$ 4,042,969</u>

This debt will be retired from the 2010 bond debt service fund.

Total general obligation bond payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1,550,000	1,032,800	2,582,800
2015	1,775,000	975,238	2,750,238
2016	1,800,000	909,988	2,709,988
2017	1,825,000	842,238	2,667,238
2018	2,300,000	786,525	3,086,525
2019-2023	12,950,000	2,776,430	15,726,430
2024-2026	7,500,000	562,500	8,062,500
Total	<u>\$ 29,700,000</u>	<u>\$ 7,885,719</u>	<u>\$ 37,585,719</u>

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2012.

B. Qualified school construction bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bonds payable	0.00%	1/15/2010	9/15/2019	3,000,000	3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

C. Obligations under capital lease.

The district has entered into lease agreement as lessee for financing the acquisition of a copier at a cost of \$10,854. This lease qualifies as a capital lease for accounting purposes.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Copier purchase	5.71%	6/11/2013	5/31/2016	10,854	10,547
Total				<u>\$ 10,854</u>	<u>\$ 10,547</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3,439	465	\$ 3,904
2015	3,621	283	3,904
2016	3,487	91	3,578
Total	<u>\$ 10,547</u>	<u>\$ 839</u>	<u>\$ 11,386</u>

OCEAN SPRINGS SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2013**

D. Other loan payable.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Disaster Loan	2.97%	9/27/2006	5/23/2016	1,471,440	-
<i>Total</i>				<u>\$ 1,471,440</u>	<u>\$ -</u>

This debt was forgiven and retired during the school year.

Pursuant to HR 2206 - Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis. FEMA has forgiven the entire balance of the loan, plus all accrued interest.

E. Compensated absences payable.

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employee's salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00 % of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$3,748,776, \$3,284,192 and \$3,131,888, respectively, which equaled the required contributions for each year.

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2013

(8) Contingencies.

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Qualified School Construction Bonds.

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a

OCEAN SPRINGS SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2013

binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$868,534. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 295,436
2015	298,391
2016	301,376
2017	304,388
2018	307,433
2019-2020	624,101
Total	<u>\$ 2,131,125</u>

REQUIRED SUPPLEMENTARY INFORMATION



Ocean Springs School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2013

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	13,334,340	13,684,293	13,684,293	349,953	-
State sources	22,232,001	22,244,657	22,244,657	12,656	-
Federal sources	145,000	280,264	280,264	135,264	-
Total Revenues	35,711,341	36,209,214	36,209,214	497,873	-
Expenditures:					
Instruction	23,219,739	23,400,244	23,400,244	(180,505)	-
Support services	14,723,787	15,117,099	15,117,099	(393,312)	-
Noninstructional services		351	351	(351)	-
Facilities acquisition and construction		10,660	10,660	(10,660)	-
Debt service:					
Principal	-	325	325	(325)	-
Total Expenditures	37,943,526	38,528,679	38,528,679	(585,153)	-
Excess (deficiency) of revenues over expenditures	(2,232,185)	(2,319,465)	(2,319,465)	(87,280)	-
Other Financing Sources (Uses)					
Proceeds of loans	10,000	11,710	11,710	1,710	-
Insurance loss recoveries	4,000	4,444	4,444	444	-
Operating transfers in	82,000	83,067	83,067	1,067	-
Operating transfers out	(2,122,000)	(2,121,697)	(2,121,697)	303	-
Total Other Financing Sources (Uses)	(2,026,000)	(2,022,476)	(2,022,476)	3,524	-
Net change in fund balances	(4,258,185)	(4,341,941)	(4,341,941)	(83,756)	-
Fund Balances:					
July 1, 2012, as previously reported	13,791,540	13,791,540	13,791,540	-	-
Prior Period Adjustments		(5,000)	(5,000)	(5,000)	-
July 1, 2012, as restated	13,791,540	13,786,540	13,786,540	(5,000)	-
June 30, 2013	9,533,355	9,444,599	9,444,599	(88,756)	-

OCEAN SPRINGS SCHOOL DISTRICT
 Budgetary Comparison Schedule
 PL94-142 SPED FUND
 For the Year Ended June 30, 2013

Schedule 2

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	1,225,945	1,057,821	1,057,821	(168,124)	-
Total Revenues	<u>1,225,945</u>	<u>1,057,821</u>	<u>1,057,821</u>	<u>(168,124)</u>	<u>-</u>
Expenditures:					
Instruction	893,384	583,778	583,778	309,606	-
Support services	322,617	428,478	428,478	(105,861)	-
Total Expenditures	<u>1,216,001</u>	<u>1,012,256</u>	<u>1,012,256</u>	<u>203,745</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>9,944</u>	<u>45,565</u>	<u>45,565</u>	<u>35,621</u>	<u>-</u>
Other Financing Sources (Uses)					
Operating transfers out	(18,038)	(45,565)	(45,565)	(27,527)	-
Total Other Financing Sources (Uses)	<u>(18,038)</u>	<u>(45,565)</u>	<u>(45,565)</u>	<u>(27,527)</u>	<u>-</u>
Special Items				-	-
Extraordinary Items				-	-
Net change in fund balances	<u>(8,094)</u>	<u>-</u>	<u>-</u>	<u>8,094</u>	<u>-</u>
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	<u>(8,094)</u>	<u>-</u>	<u>-</u>	<u>8,094</u>	<u>-</u>

OCEAN SPRINGS SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.



SUPPLEMENTAL INFORMATION



OCEAN SPRINGS SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	285,992
National school lunch program	10.555	1,216,236
Total passed-through Mississippi Department of Education		1,502,228
Total child nutrition cluster		1,502,228
Total U.S. Department of Agriculture		1,502,228
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	74,472
Total U.S. Department of Defense		74,472
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	104,885
Total Federal Communications Commission		104,885
<u>U.S. Department of Education</u>		
Direct program:		
Impact Aid	84.041	68,980
Total		68,980
Passd-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	21,348
Total		21,348
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	527,991
Career and technical education - basic grants to states	84.048	40,069
English language acquisition grants	84.365	36,931
Improving teacher quality - state grants	84.367	180,226
Subtotal		785,217
Special education cluster:		
Special education - grants to states	84.027	1,057,821
Special education - preschool grants	84.173	47,259
Total special education cluster		1,105,080
Total Passed-through Mississippi Department of Education		1,890,297
Total U.S. Department of Education		1,980,625
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	9,613
Total U.S. Department of Health and Human Services		9,613
Total for All Federal Awards		\$ 3,671,823

NOTES TO SCHEDULE

- 1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- 2) The expenditure amounts include transfers out.
- 3) The pass-through entities did not assign identifying numbers to the school district.

Ocean Springs School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures			
		General Administration	School Administration	Other	
Salaries and fringe benefits	\$ 35,094,498	1,075,141	2,461,128	3,442,195	
Other	14,245,684	194,658	18,990	9,955,255	
Total	49,340,182	1,269,799	2,480,118	13,397,450	
Total number of students *		5,560			
Cost per student		\$ 8,874			
		228			
		446			
		2,410			

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

Other - includes all expenditure functions not included in Instruction or Administration Categories

* include the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER INFORMATION



OCEAN SPRINGS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 13,684,293	13,507,499	14,475,702	13,988,248
State sources	22,244,657	22,034,619	20,530,740	21,787,317
Federal sources	280,264	364,267	239,636	228,072
Total Revenues	<u>36,209,214</u>	<u>35,906,385</u>	<u>35,246,078</u>	<u>36,003,637</u>
Expenditures:				
Instruction	23,400,244	22,189,965	21,185,263	20,733,506
Support services	15,117,099	13,385,687	13,354,803	13,828,084
Noninstructional services	351	224		
Facilities acquisition and construction	10,660			22,197
Debt service:				
Principal	325			
Total Expenditures	<u>38,528,679</u>	<u>35,575,876</u>	<u>34,540,066</u>	<u>34,583,787</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,319,465)</u>	<u>330,509</u>	<u>706,012</u>	<u>1,419,850</u>
Other Financing Sources (Uses):				
Proceeds of loans	11,710			
Insurance loss recoveries	4,444			
Sale of transportation equipment				6,957
Operating transfers in	83,067	29,716	41,656	8,845
Other financing sources			5,957	868
Operating transfers out	(2,121,697)	(965,887)	(1,011,793)	(1,132,021)
Total Other Financing Sources (Uses)	<u>(2,022,476)</u>	<u>(936,171)</u>	<u>(964,180)</u>	<u>(1,115,351)</u>
Net Change in Fund Balances	<u>(4,341,941)</u>	<u>(605,662)</u>	<u>(258,168)</u>	<u>304,499</u>
Fund Balances:				
Fund balance, July 1, as previously reported	13,791,540	14,397,202	14,648,254	14,069,287
Prior period adjustments	(5,000)			274,468
Fund balance, July 1, as restated	<u>13,786,540</u>	<u>14,397,202</u>	<u>14,648,254</u>	<u>14,343,755</u>
Increase in reserve for inventory			7,116	
Fund balance, June 30	<u>\$ 9,444,599</u>	<u>13,791,540</u>	<u>14,397,202</u>	<u>14,648,254</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

OCEAN SPRINGS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 17,334,620	17,302,341	19,826,633	18,589,130
State sources	23,070,872	22,929,165	21,467,422	22,603,251
Federal sources	3,680,020	4,559,062	5,257,882	6,239,621
Sixteenth section sources	3,495	3,701	4,230	3,939
Total Revenues	44,089,007	44,794,269	46,556,167	47,435,941
Expenditures:				
Instruction	26,676,922	26,486,153	25,775,109	26,331,220
Support services	17,167,168	20,934,519	14,952,355	15,435,059
Noninstructional services	2,145,798	1,968,136	2,038,572	2,027,586
Facilities acquisition and construction	832,374	21,373,227	15,908,237	4,719,408
Debt service:				
Principal	1,425,325	1,275,000	1,000,000	1,972,909
Interest	1,086,425	1,181,956	1,085,425	1,146,457
Other	6,170	4,435	47,979	105,239
Total Expenditures	49,340,182	73,223,426	60,807,677	51,737,878
Excess (Deficiency) of Revenues over Expenditures	(5,251,175)	(28,429,157)	(14,251,510)	(4,301,937)
Other Financing Sources (Uses):				
Proceeds of loans	11,710		4,000,000	3,000,000
Insurance recovery	16,403			
Transfer from QSCB debt service agent	292,171	289,615	286,748	
Payment to QSCB escrow agent	(292,171)	(289,615)	(286,748)	
Payment to refunded bond escrow agent				
Sale of transportation equipment				6,957
Sale of other property				
Operating transfers in	2,450,215	4,226,981	1,455,438	6,395,300
Other financing sources			5,957	10,216
Operating transfers out	(2,450,215)	(4,226,981)	(1,455,438)	(6,395,300)
Payment to QZAB debt escrow agent				
Other financing uses		(3,275)		
Total Other Financing Sources (Uses)	28,113	(3,275)	4,005,957	3,017,173
Net Change in Fund Balances	(5,223,062)	(28,432,432)	(10,245,553)	(1,284,764)
Fund Balances:				
Fund balance, July 1, as previously reported	18,369,032	47,487,859	57,708,496	58,683,226
Prior period adjustments	(5,000)	(660,879)		307,044
Fund balance, July 1, as restated	18,364,032	46,826,980	57,708,496	58,990,270
Increase (Decrease) in reserve for inventory	22,808	(25,516)	24,916	2,990
Fund balance, June 30	\$ 13,163,778	18,369,032	47,487,859	57,708,496

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 27, 2013

Superintendent and School Board
Ocean Springs School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Ocean Springs School District's basic financial statements and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ocean Springs School District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ocean Springs School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean Springs School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ocean Springs School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the school board, others within the entity, and entities with accreditation overview, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDaniel CPA Firm

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Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
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Accountants

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

September 27, 2013

Superintendent and School Board
Ocean Springs School District

Report on Compliance for Each Major Federal Program

We have audited Ocean Springs School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ocean Springs School District's major federal programs for the year ended June 30, 2013. Ocean Springs School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ocean Springs School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ocean Springs School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ocean Springs School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ocean Spring School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Ocean Springs School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ocean Springs School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ocean Springs School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the school board, others within the entity, and entities with accreditation overview, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS

September 27, 2013

Superintendent and School Board
Ocean Springs School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean Springs School District as of and for the year ended June 30, 2013, which collectively comprise Ocean Springs School District's basic financial statements and have issued our report thereon dated September 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$ 1,211 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion

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The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McDaniel CPA Firm

**OCEAN SPRINGS SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	unqualified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	no
	b. Significant deficiency (ies) identified ?	none reported
3	Noncompliance material to financial statements noted?	no

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	no
	b. Significant deficiency (ies) identified ?	none reported
5.	Type of auditor's report issued on compliance for major programs:	unqualified
6.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	no
7.	Identification of major programs:	
	<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	10.553	Child Nutrition Cluster
	10.555	Child Nutrition Cluster
8.	Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
9.	Auditee qualified as a low-risk auditee?	yes

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.